

# SENIOR CARE FACILITY



12/22/14

## FEASIBILITY STUDY

Copper Queen Community Hospital, as the leading health-care provider to the rural communities of southern Cochise County, jointly with the City of Bisbee, have underwritten a feasibility study for a senior care facility to be located in their Primary Market Area ("PMA"). The primary goal of the study was to evaluate the demand in the PMA, evaluate the financial feasibility of a facility, and to gather and present the data to support such a facility to private operators.

**Prepared By:**



**BP DIVERSIFIED**  
INVESTMENTS AND CONSULTING

# Senior Care Facility

## CONTRIBUTORS

Without the support and contributions from the following this report would not be possible.

### **Copper Queen Community Hospital (“CQCH”)**

Jim Dickson – CEO

John Charley – Project Manager

Kathleen Heard – Chairman of the Board

### **City of Bisbee (“The City”)**

Jestin Johnson – City Manager

David Smith - Ward II Councilmember

Douglas Dunn - Ward II Councilmember

### **Bisbee School District**

Elias Jouen – Business Manager

Jim Phillips – Superintendent

### **iBisbee Committee**

Stanley Stern – Chair

### **Real Estate Stakeholder’s**

David Greenberg – REMAX

Richard Newbill – Bisbee Realty, Inc.

Scott Ries – KW Commercial

Leroy Brockbank – Copper Queen Realty

### **BP Diversified Investments and Consulting (“BPD”)**

Benjamin Pozez – Founder and Principal Consultant

## Project Overview

For years, CQCH has noted a continuing trend in the population it serves, it's aging. While this is not a new trend nationally, and has been anticipated with the "baby-boomer's" reaching retirement age, the Bisbee Region has significantly lagged national trends of senior-care facility development. CQCH Mission is to

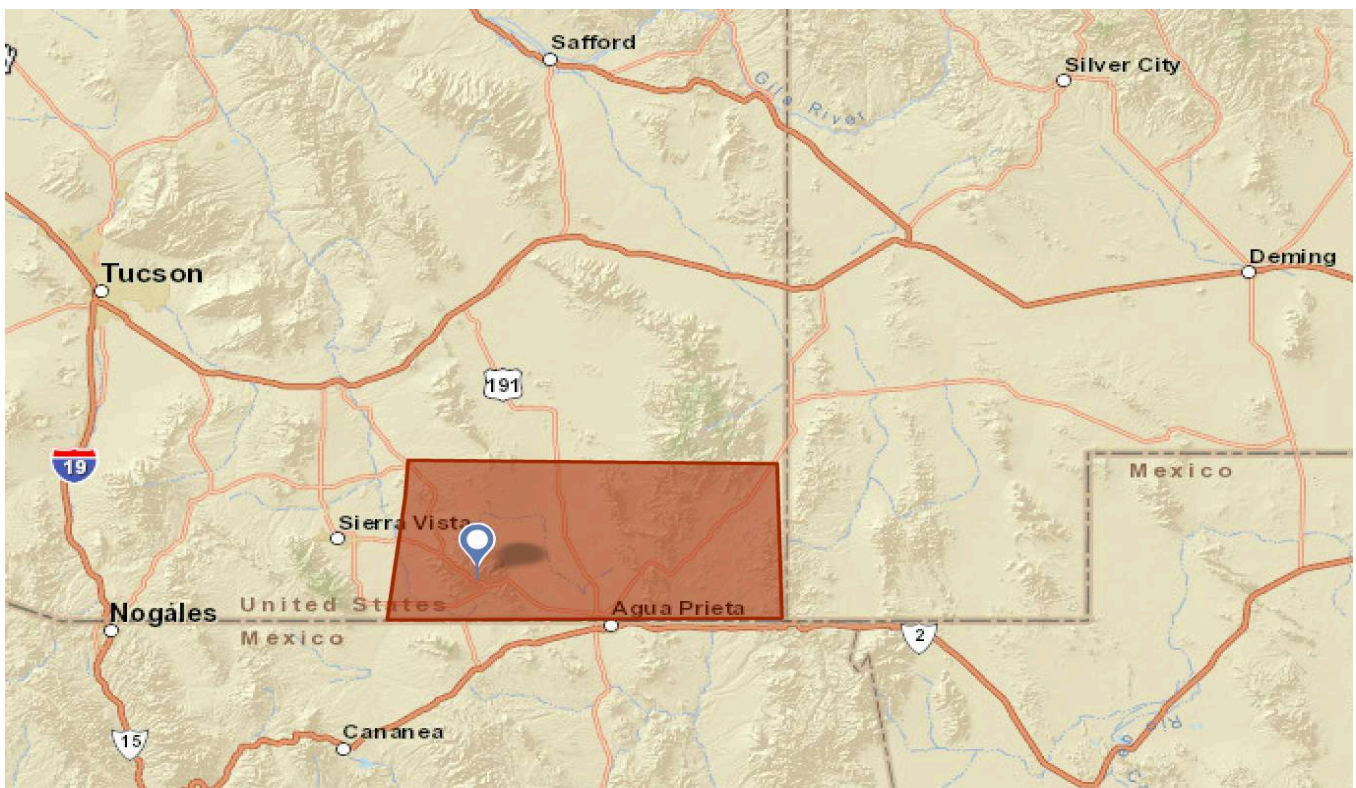
***"Maintain and support access to basic primary healthcare throughout Southern Cochise County by excelling in leadership, vision and service delivery to address opportunities and challenges to healthcare."***

CQCH is wisely exploring the demand and possible impact a Senior-Care Facility could have on their service delivery model, the overall achievement of their mission, and the region as a whole. Further to this, CQCH contacted the iBisbee Committee to help it explore the potential of development. The iBisbee Committee was formed by the City Council to help market the city and bring new business and development to the former copper mining town. With a strong recommendation from the iBisbee Committee, the City of Bisbee agreed to share the costs of the study, as it serves to benefit a large portion of the community, as well as potentially lead to economic and employment growth in the region.

After a competitive bid process, CQCH in conjunction with the iBisbee Committee selected BP Diversified Investments and Consulting to perform the Feasibility Study. BPD has extensive knowledge of both the Senior Care Industry and regional development trends, with a breadth of research normally limited to companies outside of Southern Arizona. Their team is lead by company Founder and Principal Consultant Benjamin Pozez.

## PRIMARY MARKET AREA ("PMA")

The Primary Market Area ("PMA") is a 1,825 Square Mile Polygon located in the South Eastern most corner of Cochise County (see map below). Within the PMA, Douglas is the largest "Metropolitan" area, although it is still rural.



## EXECUTIVE SUMMARY

After reviewing all of the available market demand and economic data points, BPD finds very strong market indicators for senior-care facilities to be developed in the PMA. With an older population, relatively stable incomes, very levels of low mortgage debt, and a low cost of development and operations, the Bisbee region should be able to attract quality developer's/operator's to the PMA. The size, and scope of services offered by the facility will ultimately be determined by an individual operator, but it is clear that market demand exists in excess of current capacity.

The key demographic data found during this study are;

### 1.) Population Demand Indicators:

- a.) There are currently over 5,750 resident aged 65 and over, representing over 15% of the total population.
- b.) Assuming the overall market capture is only 5% of the demographic target market, there is currently demand for over 280 beds in the region (more than double current capacity when excluding Sierra Vista).

### 2.) Economic Demand Indicators:

- a.) Average income is relatively strong at \$43,957, but median income is still of concern, especially with those aged 75 and over. Of those over 75, over 57% of them are living on incomes below \$25,000 annually.
- b.) Average net worth is also very strong, but may be skewed significantly by a few very wealthy residents. The median net worth of those over 75 is in excess of \$140,000 though, although illiquidity in the residential housing market may be a major hindrance to a developer/operator.
- c.) With relatively narrow gaps between average and median home value, it is safe to assume that home value in the region is stable, and not terribly price sensitive, with both average and median value between \$99,000-\$120,000.

### 3.) Competitive Indicators

- a.) While the market is not currently over-saturated, there are certainly facility choices that already exist in the region, with a particular concentration in Sierra Vista (located outside the PMA).
- b.) Currently Planned development in Sierra Vista is a positive indicator that demand is outpacing supply.
- c.) Scale is certainly going to be the core issue in differentiating from the current competitive landscape. Most of the current facilities are smaller 5-10 bedroom operations, and a slightly larger multi service approach could be well suited to the region.

Indicators on facility type show that while specialty care (skilled nursing/dementia/Alzheimer care) is underserved, the financial viability of this as a stand-alone model is low. Ultimately, the population base is not large enough to support a specialized facility type, and a broad continuum of needs will have to be served to reach a large enough client base for financial viability.

Preliminary research into the availability of real estate has also been positive, with both land available for development, as well as other facilities that could potentially be converted. While BPD did not do extensive due diligence on any individual conversion property, the overall cost of a conversion could far out way the cost of new construction, but will be dependent on the operator's model.



## EXECUTIVE SUMMARY CONTINUED

It is also important to consider the cooperation and support the City of Bisbee and CQCH have already demonstrated to this project, and how that may ultimately help a developer/operator. Clearly the City of Bisbee can explore some Public Private Partnership structures to enhance certain sites for a developer, and further to that, CQCH may be able to lend significant support or services to an operator.

Another primary concern for any operator is always the labor pool (especially in rural markets), however, BPD found that the Cochise College of Nursing has an excellent program, and has been providing highly qualified nurses to the labor pool of the PMA for many years.

While affordability was certainly a concern raised by many during the study, it appears that a very healthy percentage of the population in the PMA can afford the average cost of care. With a combination of the economic indicators discussed above, as well as supporting programs from state and federal agency's, the operators primary concern in relation to affordability will be proper facility scale.

BPD's own Demand Assessment Model, shows current demand in the PMA to support a facility as large as 36 beds. With that said, BPD believes an operator could be better served to enter the market on a smaller scale, 10-20 beds to start, while planning for future growth.

In conclusion, BPD believes strongly in the feasibility and financial viability of a senior care facility center to be located in the PMA, and will continue to lend its support in attracting a high quality developer and/or operator to the PMA.

Sincerely,



Benjamin J Pozez  
Principal  
BP Diversified



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## APPROACH AND METHODOLOGY

After an initial kick-off meeting, a preliminary list of key individuals was developed for personal interviews by BPD. Based on this initial stakeholder list, BPD traveled throughout the county and conducted personal interviews with key stakeholders and senior service providers. To update and refine previous project research, a follow-up community survey and/or Town Hall meetings were discussed and rejected as unnecessary based on the overall competitive landscape.

BPD utilized qualitative and quantitative analysis to prepare this feasibility study for the City of Bisbee, and CQCH. Considerable information was collected from community leaders, local residents, and project stakeholders concerning the near-and-long term needs of the elderly and the vision of senior care facility. Informal discussions were held with local residents, business owners, and county and state agency representatives to investigate ownership, management and facility options. Research was conducted to identify existing competitive facilities, as well as overall affordability and payment methods for an operating facility.

The demographic information contained in this Study is included to define the characteristics of the City of Bisbee and Cochise County senior populations as indicators of the need for expanded senior services and the ability to support and maintain a physical facility.

A Senior Profile developed through demographic data alone is not an indicator of the potential success or failure of this project. The demographic profile highlights important factors for consideration, potential demand for services, statistical data for long-term planning, and serves as a baseline of information for future independent project analysis.

The State of Arizona Department of Health Services defines seniors as 65 years of age and older, and therefore this is the population sector attributed to utilization and/or demand for senior services. Younger seniors may require assistance with activities of daily living due to falls, fractures or the absence of a caregiver and may consider moving to a facility at an early age. Therefore, an age qualification of 75 years or older is typically used to measure the demand for assisted living services.

The following Senior Profile offers a micro and macro analysis of this population sector as indicators of both short-term demand and longer-term sustainability. For purposes of this market profile, Cochise County and City of Bisbee demographics for the population 55 years of age and older are also considered to identify trends and changes in this segment of the population and as an indication of the future demand for Range of Senior Living Options.

The Senior Profile is a more short-term analysis of the senior population to address the more immediate demand for expanded senior services. The long-term projections demonstrate the potential for long-term project sustainability. Census data and the short-term population characteristic are essential to identify immediate unmet needs.

Data sources utilized include: ESRI, REIS REPORTS, CDC, AZDHS, AZDES, US CENSUS DATA

## INTRODUCTION

This Study provides information on identified community needs, facility type and site location recommendations combined with market, cost and revenue analysis information for public or private project development. The Study is compatible with the industry standards for long term care, incorporates the needs of the community with consideration given to the limited health and social services available to area residents due its geographic location and proximity to larger population centers.

Bisbee, and the surrounding rural areas of Cochise County constituting the PMA area (1,825 sq. miles) geographically diverse. The county borders Mexico on the south and shares a border with New Mexico to the West. The terrain is characteristic of the desert: large open spaces, spectacular mountains and hills, fertile valleys and picturesque views of the desert. The economy was primarily driven by the mining industry for a century, but transitioned to an Arts and Tourist driven economy over the last several decades.

Each of the small communities in the PMA offers a rich and colorful history, unique cultural characteristics and an independent spirit. Due to the rural nature of the County, many services and amenities found in larger population centers are either not available or the selection is limited.

Medical services and support services for the elderly are limited in the smaller towns and communities throughout the county. However, many of the communities have medical clinics, resident emergency medical technicians (EMTs) and well-functioning senior centers. A noteworthy characteristic of the towns and communities, and rural residents, is a sincere concern and responsibility for their family, friends and neighbors - with particular attention to the elderly.

Copper Queen Community Hospital is a rural acute care critical access hospital that has been providing convenient, affordable health care to the area it serves for over 125 years.. CQCH operates three Rural Health Clinics via Copper Queen Medical Associates, located in Bisbee, Douglas and Palominas. The local medical staff includes 30 physicians: 17 fully active physicians and 13 consultants. The hospital provides a broad range of inpatient and outpatient services, including acute care; outpatient surgery; 24-hour emergency services; cardio-pulmonary services; rehabilitation services; home health care; an occupational medicine department; a full-service laboratory; and diagnostic imaging, on-site experienced and professional radiologists, and tele-radiology for speedy diagnostic capability. CQCH serves more than 25,000 patients, many of whom are unemployed, have low family incomes, and are uninsured or underinsured.

### *Initial Project Research: Phase I*

Phase I of this Feasibility Study, which focused on the Demographic and Market Demand Indicators (incorporated within), was initiated March 25<sup>th</sup>, 2014, with initial drafts circulated in mid April. The final Phase I report was presented to the public June 18<sup>th</sup>, with a recommendation to follow on with Phase II. In the 1<sup>st</sup> week of September, the City of Bisbee and The Copper Queen Community Hospital initiated Phase II of this study, which is expected to be publicly presented December of 2014 (schedule permitting).

## STAKEHOLDER MEETINGS

BPD conducted personal interviews with identified and/or referral project stakeholders currently providing services to seniors in the PMA, as they have first-hand knowledge of the needs, met and unmet, desires and support services necessary to maintain a comfortable and healthy lifestyle for the seniors in their communities. Interviews were conducted throughout the County and Southern Arizona to gather information with consideration of the unique characteristics of the diverse population sectors.

The issues addressed in each interview were questions initially raised by the Committee, answers of which do not lend themselves to quantitative data gathering and analysis:

- Identify the unmet needs of the seniors in this community
- If seniors leave the community for assisted living/ nursing home care, where do they most often go? Are you aware of the reason(s) for this selection?
- How many seniors are you aware of whom left the community in the past year (or two) for assisted living/nursing home care?
- In your opinion, if a facility were available in Bisbee, would seniors from this community utilize the facility?

The information gathered through the personal interviews identified several commonalities across all communities, as well as unique local characteristics and preferences. Due to the size of PMA and distance between population centers, its communities demonstrate a natural affinity towards the closest, largest population center offering expanded services and amenities; for seniors the choice is often influenced by the availability of medical services.

- For example, residents of Hereford and Palominos generally travel to Sierra Vista or Tucson, rather than to Bisbee or Douglas, for services not available in their local community.

Throughout all of the interviews, the most common reason for senior out-migration from the PMA was to be near family members and/or medical specialty service providers for care and treatment, when they could no longer live alone.

The natural affinity between communities is an important component in determining the feasibility and size of a Senior Facility in the PMA.

A repeated observation throughout the interviews, was that seniors want to stay in their homes as long as possible, highlighting the need for in-home services: in-home housekeeping, in-home health care, etc. In-home services are currently limited in the more rural areas of the County. Neighbors, friends and nearby family attempt to fill this void. The elderly tend to accept the lack of services as part of rural living, remain in their homes and attempt to “make-do” until they move to a nursing home. However, even with a positive response to a facility in Bisbee, concern was expressed about the lack of specialty medical services in the area.

Another repeated observation was the overall concern about the potential cost of a Senior Care Facility of any type. Most respondents expressed significant concerns about having adequate resources to allow for any lengthy stay in a facility. As well as a concern that the housing market may or may not provide the liquidity needed to effectively access a major asset for most respondents.

Further Stakeholder meetings were also conducted with those in the real estate community, including those representing public land interests. The purpose of these meetings was to consider the availability of different properties, and the economics behind them, suitable across the spectrum of potential facility types.



## Senior Profile

There are several components that must be looked at when compiling a comprehensive Senior Profile for the PMA;

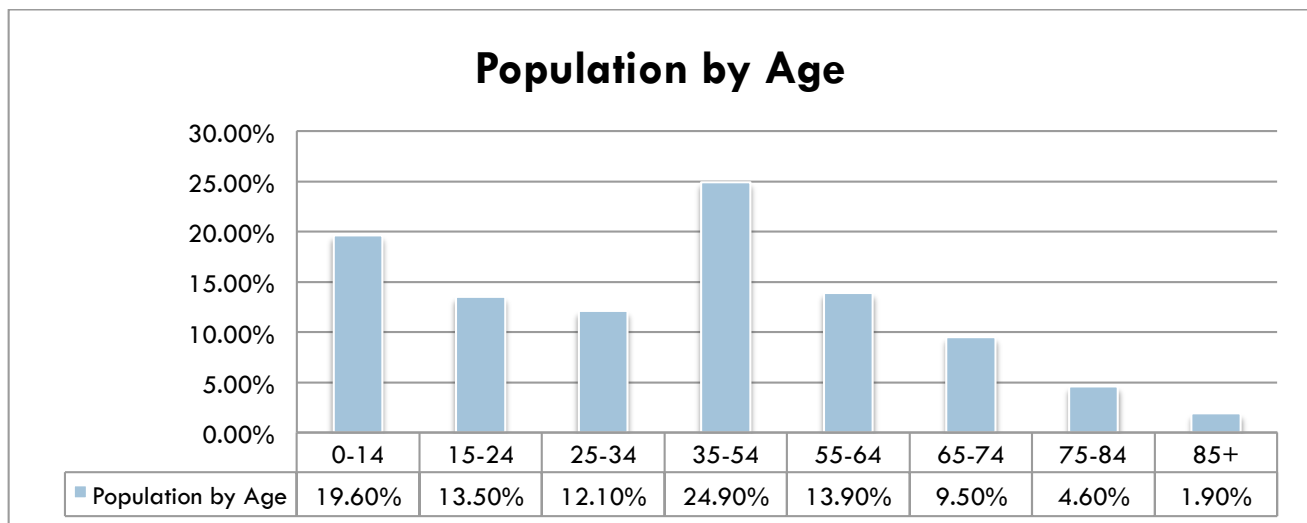
- Population – Trends and Demographics
- Household Income and Net-Worth Profile
- Housing Profile

### POPULATION

An analysis of the short-term population trend, indicates a degree of out-migration or loss of retirement-age residents from PMA beginning at age 65. This community characteristic is indicative of communities with limited senior support services. The PMA had a net loss in population between 2000 and 2010 of 1.21%.

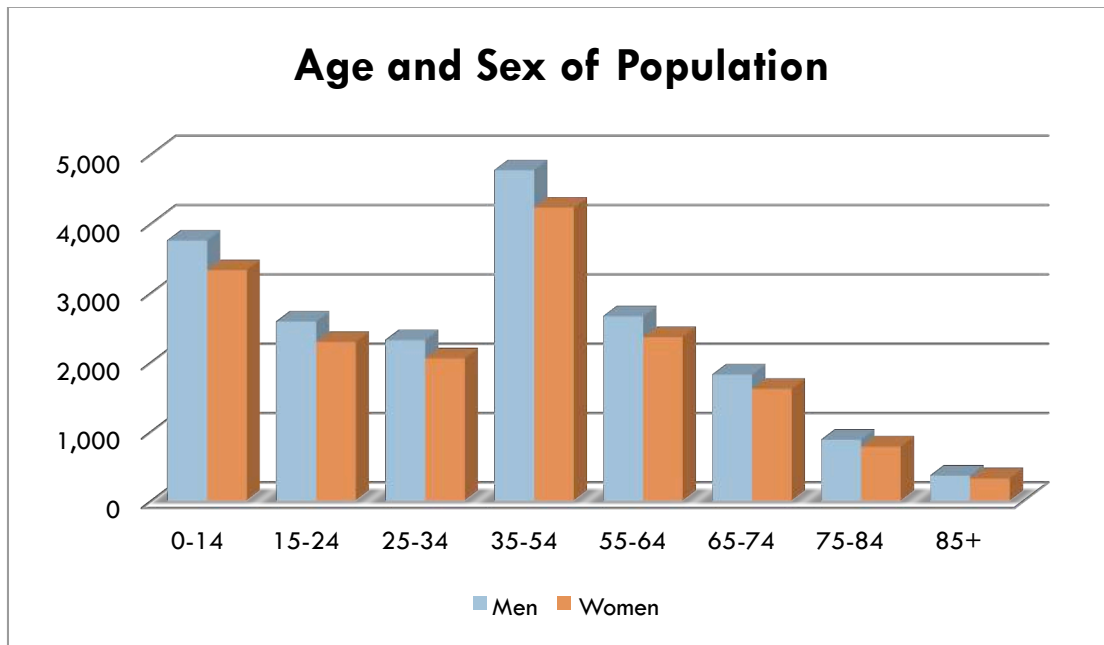
The out-migration trend appears to accelerate between ages 64 and 85, an age when research indicates many seniors can no longer live alone and begin to consider senior residential facilities, or have support from adult children.

The loss of the retirement age population can impact the vitality and diversity of a community. The most obvious is the lost purchasing power of the retirement market segment; further, the business skills and work ethic of this age group are lost. In many communities, it is the retired (over age 55 age group) who undertake entrepreneurial endeavors, seek full or part time employment often in senior services, and are active community leaders and volunteers.



## POPULATION CONTINUED

Research indicates the majority (74%) of those in Assisted Living and/or Nursing Home residents are female. Therefore, when considering short-term demand and long-term sustainability, an analysis of gender and age data are a component of the Senior Profile.



As you can see in the chart above the mix of men to woman is relatively constant, with an average of 53% men to 47% woman.

## INCOME AND NET WORTH

Another key component of the Senior Profile is the income of the various population sectors. The population base served by the facility must have sufficient income to utilize the facility and be engaged to ensure the success of the project. Please keep in mind the following definitions;

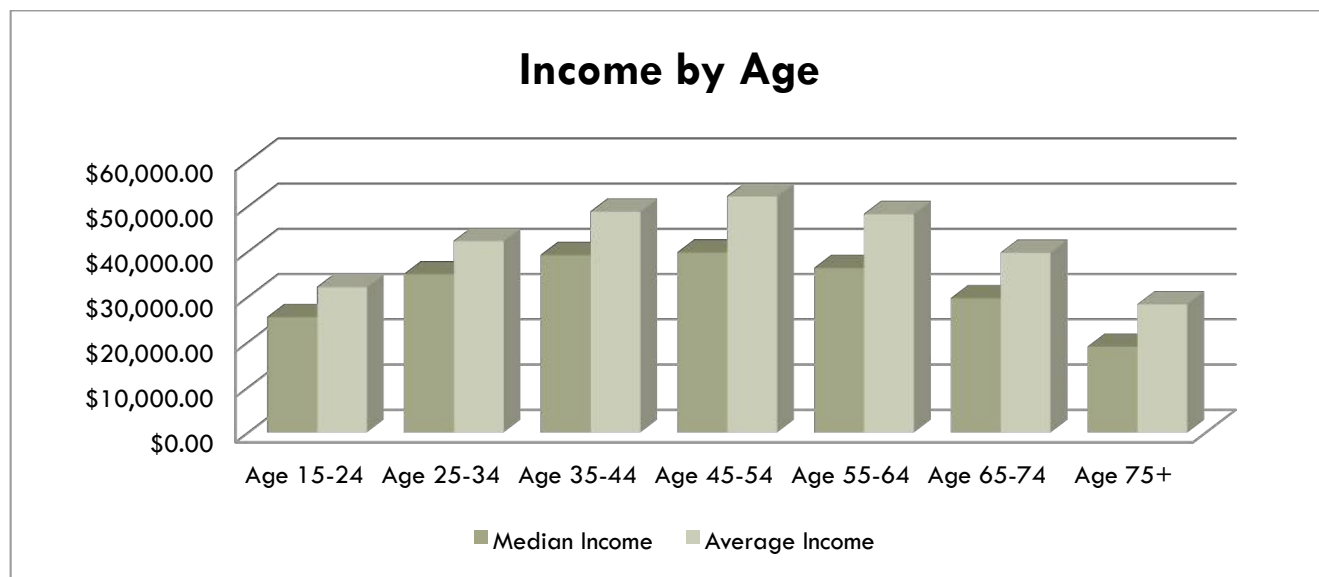
**Average Household Income:** The total income of an entire population grouping divided by the number of households in the same population grouping.

**Median Household Income:** A mid-point between the income of the household(s) with the lowest income range and the household(s) at the highest income range within the same population grouping.

**Average Net Worth:** The total net worth of an entire population grouping divided by the number of households in the same population grouping.

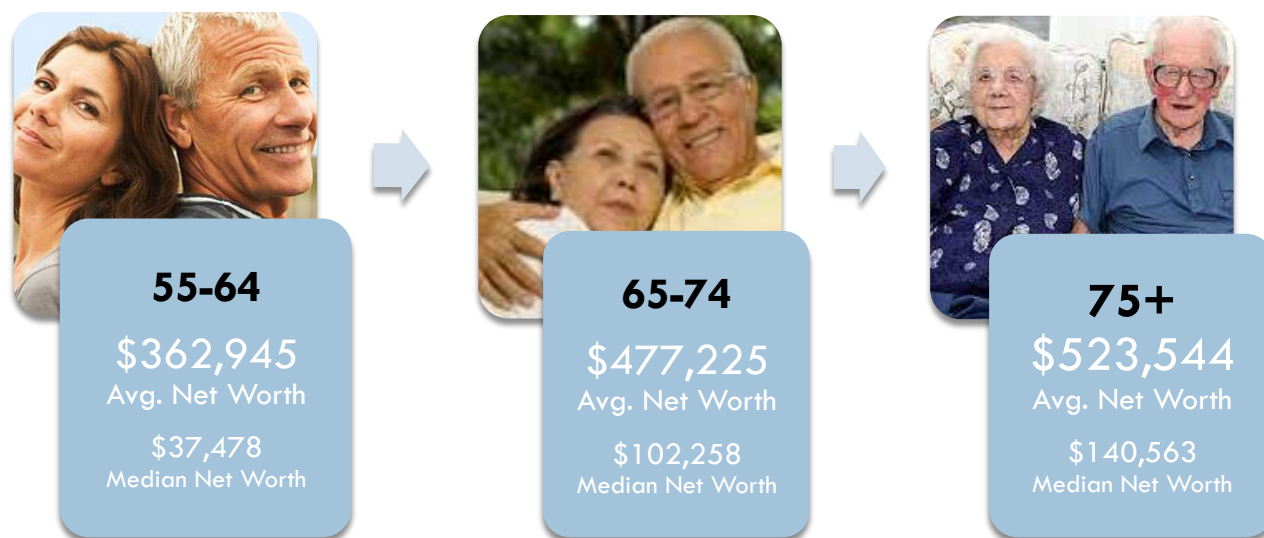
**Median Net Worth:** A mid-point between the net worth of the household(s) with the lowest range and the household(s) at the highest range within the same population grouping.

## INCOME AND NET WORTH CONTINUED



The PMA has an average income of \$43,957 compared to a median income of \$32,560. Of potential concern is the very large number of low earners. As a whole, 27.7% of the population earns less than \$15,000 annually. This trend is also one that severely affects the elderly, with 57.5% of the population over 75 earning below the \$25,000 threshold. Further to this, roughly 16.6% of the population is below the poverty line.

The Net Worth however seems to show a slightly different financial picture for some of the local residents. The average net worth in the Bisbee region is \$255,761.00 with a median net worth of \$28,302.00. While this seems like a large divergence, the national figures are very similar, with an Average of \$301,000 and Median \$45,000. The reason for large gap is the presence of a few wealthy individuals. Not surprisingly, the average and median net worth's continue to rise with age.



Part of what we see here is lifecycle driven, with those 55-74 accelerating their savings in anticipation of retirement. At 75, most will experience the peak of their net-worth, with spend down beginning with income loss.

## HOUSING PROFILE

Another component of the Senior Profile is to identify the type of households where seniors are currently living. Often, the sale or rental of a senior-occupied dwelling provides the funds necessary to provide for a senior care facility.

Of the 12,379 occupied housing units, 57% or 8,500 units are owner occupied. Furthermore, 34% of all owner occupied homes are owned by those 65 and older (compared with the 15.9% this group represents in the total population). Or in other words, those over 65 are twice as likely to be in an owner occupied housing unit than their younger counterparts, and almost 80% of this group owns their home. 45.1% of these owner occupied homes are owned free and clear, with no mortgage debt whatsoever.

Unfortunately age based mortgage data is not currently available, but one could extrapolate that at least an equal (if not greater) number of those over 65 own their home free and clear as their younger counterparts, leaving over 1,300 housing units owner free and clear by this demographic.

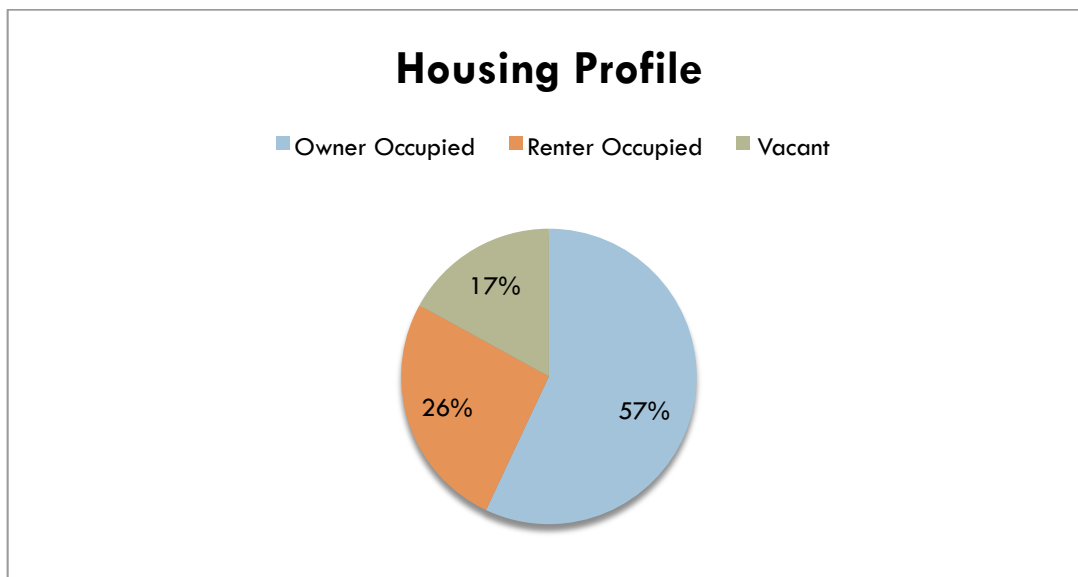
While obvious, it is also important to note the inverse affect of the owner occupied data - namely that 20% of those 65 and over are currently residing in a rented residence. This is important for a senior-care facility to evaluate, as this demographic is already used to paying rent, and may experience an easier transition at a lease-end vs. a home sale. It is also interesting to note the relatively narrow divergence in average and median home values. Please keep in mind the following definitions;

**Average Home Value:** The total value of the entire populations housing divided by the number of households in the same population.

**Median Home Value:** A mid-point between the value of the household(s) with the lowest range and the household(s) at the highest range within the same population.

Average home value = \$120,952

Median home value = \$99,666.



## Understanding Senior Care Facilities

There are a number of different types of physical facilities, as well as a range of services offered by the varying types.

### FACILITY TYPES

Generally, Senior Care Facilities are broken into the following types;

**Active Adult** – Generally 55+, unaffiliated with health-care services (though generally close by), for older adults who are able to care for themselves fully.

**Independent Living** – Generally for 55+, affiliated with some type of health-care service, for older adults who can generally care for themselves fully but may have higher health or lifestyle risks.

**Assisted Living** – A residential care solution with fully integrated health services including supervisory, personal, or directed care on a continuing basis for older adults needing the additional support.

**Nursing/Memory Care (Alzheimer / Dementia)** – This specialty care is almost exclusively residential (or 24hr home integration) as these more specific, high-risk aging related medical conditions require significant supervisory, personal and medical care on a constant basis.

**Hospice Care** – These highly specialized facilities are used during the “end of life” stage, for the extremely terminally ill and near death patients requiring constant care, but with no possibility of recovery or extended life expectancy. Generally a hospice facility is used by the client/patient for less than 14 days.

**Continuing Care Community** – A facility that incorporates some or all of the above types in one facility/campus.





## Evaluating the Market for Services

There are many qualitative factors that are important when evaluating a market for senior care facility services such as community support, site location, other alternatives for care, and unique personality characteristics of the area. This study focuses on quantifying the demand for assisted living services and the components involved in capturing the targeted market. There are six basic components to consider:

- Primary market drivers
- Age qualification
- Income qualification
- Percentage of seniors living alone
- Percentage of seniors requiring assistance
- Competitive or other available alternatives

### PRIMARY MARKET DRIVERS

The PMA for the project is typically determined by the demographics of the area and the experience of existing providers within the region. Based on the nature of the services, most seniors requiring assisted living services typically originate from within a close proximity of a facility, generally within a 5 to 10-mile radius of the facility, depending on whether it is located in an urban (smaller PMA), suburban or rural area (larger PMA). Nationally, the Assisted Living Facility Association reports nearly 20% of all residents in assisted living facilities relocated from outside the market area of the facility.

The second dynamic in place is the desire of the adult children to have their elderly loved ones remain in or relocate to their community when the time comes for long term care decisions. Two needs are met when the community can provide for the needs of the elderly person while bringing them closer to the family caregiver.

According to the *2009 Overview of Assisted Living*, more than 60% of residents relocate to within 10 miles of their closest adult child or relative and almost 80 percent relocate to within 25 miles.

Because of the significant influence that adult caregivers have regarding parental decisions to seek care, many facilities are experiencing higher draw percentages from outside the primary market area, particularly in high-growth markets with high concentrations of adult children. Remaining or relocation to be near family is a strong motivator for choice of a resident of an assisted living program.

An AARP study shows over 80% of those over age 75 say they want to remain in their own homes even when they need assistance. That motivation was verified through a series of countywide interviews BPD conducted with senior population groups and health care providers. Most would strongly prefer to remain in their own home (preferably with in-home health care assistance), near family and friends.

## AGE QUALIFICATION

The U.S. Census Bureau reports statistics on the percentage of elderly requiring assistance with Senior Care Facilities for ages 75-79 and ages 80 and over. Therefore, an age qualification of 75 years or older is typically used to measure the demand for a facility in the PMA. Therefore the initial market population base is 2,347 people.

## INCOME QUALIFICATION

Annual income qualifications for prospective assisted living residents are generally based on the average monthly service fees required to move into an assisted living facility ("ALF"). According to the *Genworth Financial, Cost of Care Survey 2014*, the national median monthly service fee per unit (One Bedroom/Single Occupancy) in a freestanding ALF is \$3,500, and the Arizona median monthly rate as \$3,150 (\$1,100 min. to \$6,700 max.). These rates for Arizona equate to a minimum annual income qualification ranging from approximately \$13,200 (Low) to \$37,800 (Average) to \$80,400 (High).

In 2010, Social Security benefits accounted for 38% of the aggregate income of the older population. The bulk of the remainder consisted of earnings (29%), asset income (11%), and pensions (19%).

Some demand methodologies also consider homeowners with a lower income threshold to be included based on the assumed "spend-down" of a senior's asset base that will provide the financial means to afford assisted living services. According to the *2014 Overview of Assisted Living*, the median resident asset value, including home equity, is \$205,000, and the median home value in the PMA was \$99,666 in 2014. Therefore, non-income qualified seniors may utilize other financial means, such as the proceeds from the sale of their home or other assets, in order to assist with the cost of care.

Sources vary with regard to the amount of family support assisted living residents generally receive. The *2013 Overview of Assisted Living* reports that approximately 10% of assisted living residents surveyed indicated "family" as their primary payment source. In addition, 15% indicated "family" as their secondary payment source for care in a freestanding senior care facility.

The Survey reports that 26% of adult children or a family member assist in paying for assisted living services, with an average contribution of \$598 per month (or approximately \$7,200 per year). For this reason, assisted living rates are shown as a range between age-qualified individuals and age-and-income-qualified individuals.

Consider seniors aged 75 and older the PMA with the following annual incomes to be qualified for assisted living services:

- Homeowners income \$35,000 or more = 13.5% of seniors 75+, or 422 people
- Homeowners income between \$15,000 and \$34,999 = 29% of seniors 75+ , or 680 people
- Total income qualified seniors = 42.5% of the PMA, or 422 + 680 = 1,102 people

## PERCENTAGE OF SENIORS LIVING ALONE

The 2013 US Census calculates that over 27.4% of the senior population (over 65yrs old) is currently living alone. Under this assumption rate, there are currently 301 income-qualified seniors living alone in the PMA.

## PERCENTAGE OF SENIORS REQUIRING ASSISTANCE

The decision to enter a senior care facility often depends on the individual's level of need for assistance and the available alternatives in the market. Nationally, the percentage of seniors requiring assistance generally falls between 25 and 36 percent, according to the 2009 *Overview of Assisted Living (national data)*. The 2010 US Census Bureau American Community Survey (ACS), reported 11.8% of adults 65 and older in Arizona have disabilities, which may require the use of a senior care facility. While the rate will probably be higher for those 75yrs and older, that specific data is not available at this time. As such, we will use the more conservative number, 11.8% without adjustment. Under that assumption, there are roughly 130 disabled, income qualified, 75+yrs olds in the PMA.

## COMPETITIVE AND OTHER ALTERNATIVES

Currently the PMA, EXCLUDING metro Sierra-Vista, has over 125 licensed senior care beds. These facilities range in scope of services and size of facility, but do provide options currently to the area.

Facility Name	Location	# of Beds
Valley Vista Assisted Living	McNeal, AZ	6
Esther Adult Care Home	Douglas, AZ	6
Windmill Ranch Assisted Living	Hereford, AZ	8
Golden Oaks Annex Assisted Living	Hereford, AZ	6
Cypress Inn Assisted Living Center	Douglas, AZ	36
La Solana Care Home	Douglas, AZ	64
<b>Total Beds</b>	<b>126</b>	

As you can see, there are a number of facilities in the PMA providing services. Additionally, Sierra-Vista is home to the following facilities;

Facility Name	Location	# of Beds
Garden Terrace Assisted Living	Sierra Vista, AZ	10
Hummingbird House	Sierra Vista, AZ	5
Casa De Las Mantanas	Sierra Vista, AZ	10
Golden Oaks Canyon	Sierra Vista, AZ	6
Solace Place	Sierra Vista, AZ	5
Prestige Assisted Living Facility	Sierra Vista, AZ	67
Villa Vista Alzheimer Care	Sierra Vista, AZ	38
Via Elegante (Newly Opened)	Sierra Vista, AZ	42
<b>Total</b>		<b>183</b>

## COMPETITIVE AND OTHER ALTERNATIVES CONTINUED

It is important to note that when including Sierra Vista Facilities, there are over 300 beds available in the greater region. While certainly not oversaturated, this does represent a reasonable inventory of available facilities. Metro Sierra Vista was excluded from the PMA, and would certainly add significant numbers of potential residents to any facility type. Furthermore, the existing competitive and other alternatives in the PMA have a significant concentration in the Douglas market. While still in the PMA, it is unclear if Douglas is an acceptable location for those located in the Greater Bisbee area.

### Demand Assessment

Under the most conservative of estimates, the following is a breakdown of the assumed immediate demand in the PMA for a senior care facility.

Population over 75yrs old	2,347
Percentage Income Qualified	42.50%
Total Income Qualified, 75+	<b>997</b>
Percentage Living Alone	27.40%
Total Income Qualified, Single, 75+	<b>273</b>
Percentage with Disability	11.80%
Total Income Qualified, Single, Disabled, 75+	<b>32</b>
Recapture for couples in senior care facility	12.00%
Add on for couples in senior care facility	<b>4</b>
<b>Total Current Market Demand</b>	<b>36</b>

If we assume a modest 50% market capture, a senior care facility could size to approximately 18 beds, or 10-15 rooms. Again, these are utilizing very conservative qualification criteria, demand assumptions, and could possibly be upsized significantly.

## Facility Location

There are certainly a number of already existing buildings, homes, and other structures in the PMA that could be converted for use for a senior care facility. These range in size, condition, current use, etc. and require significant investigations for feasibility. Because CQCH and the City of Bisbee are not anticipating opening, or operating the facilities themselves, it would not be prudent for BPD to investigate the conversion of any individual existing facility. That said, the rough analysis of new construction is much more generalized, and therefore significantly more meaningful to report on. Below you will find a summary of several concepts, and potential sites in the PMA that could accommodate them;

### Concept #1 – Senior Care Campus

Communities are planned and developed around the clustering, or campus concept, of similar services for the convenience of those utilizing the services. The clustering of senior services, including aging in place options, provides multiple benefits for seniors, their families and healthcare service providers:

- The neighborhood is familiar, lessening the potential trauma for an individual when relocating from one level of elder care to another
- Seniors can maintain relationships with friend/family who require a different levels of care
- Interaction of residents at all facilities for meals, parties, and other enrichment opportunities
- An opportunity for the various service providers to leverage resources: skilled staff, training, transportation services, commodities, etc.

When developing a cluster of senior services, proximity to a hospital, medical clinic and physician's offices is important. Other amenities that contribute to the appeal of a senior campus, are the availability of retail and hospitality services: such as, hotel/motels, restaurants, florist, gift shops and grocery or convenience stores, etc.

Many of the essential components of a senior campus are currently in place. The Bisbee Senior Center is currently located in a contiguous area with a retail area offering a grocery store, pharmacy, restaurants, as well as the Copper Queen Wellness Center (operated by CQCH). It is easily accessed by Highway 92, and South Naco Highway.



**Concept #1 Map**



Currently The City of Bisbee owns a parcel of land ("Subject Property") directly in this quadrant, and could serve as an excellent location for a number of facility types across the spectrum. At  $\pm 10$  acres, with utilities located at the lot, development costs can be contained, and with such a large parcel, an operator could enter the market with a small facility, but have land available for future growth. The exact terms under which this parcel may be acquired have not been communicated directly to BPD, but the City is very interested in the potential of using this property for the concept.

With cooperation from the City, this Parcel of land could accommodate most facility types outlined in this report. The cooperation needed would obviously be for Zoning and Entitlements to permit the operator's facility choice(s).

**Concept #2 – Independent Living, Assisted Living, or Nursing Home**

**Independent living** communities are also known as retirement communities, retirement homes or senior housing. For today's baby boomers and seniors, retirement living communities offer a broad range of intellectual, physical and social activities to enhance golden years' enjoyment. When a senior chooses an independent living community, he or she has the physical and mental capacity to live independently, but wants companionship from others his/her age. And independent senior living provides not only socialization, it also provides fun activities and stimulation.

**Assisted living** housing is a long-term senior care option that provides personal care support services such as meals, medication management, bathing, dressing and transportation. In general, assisted living communities provide basic medical monitoring as well as daily activities and care.

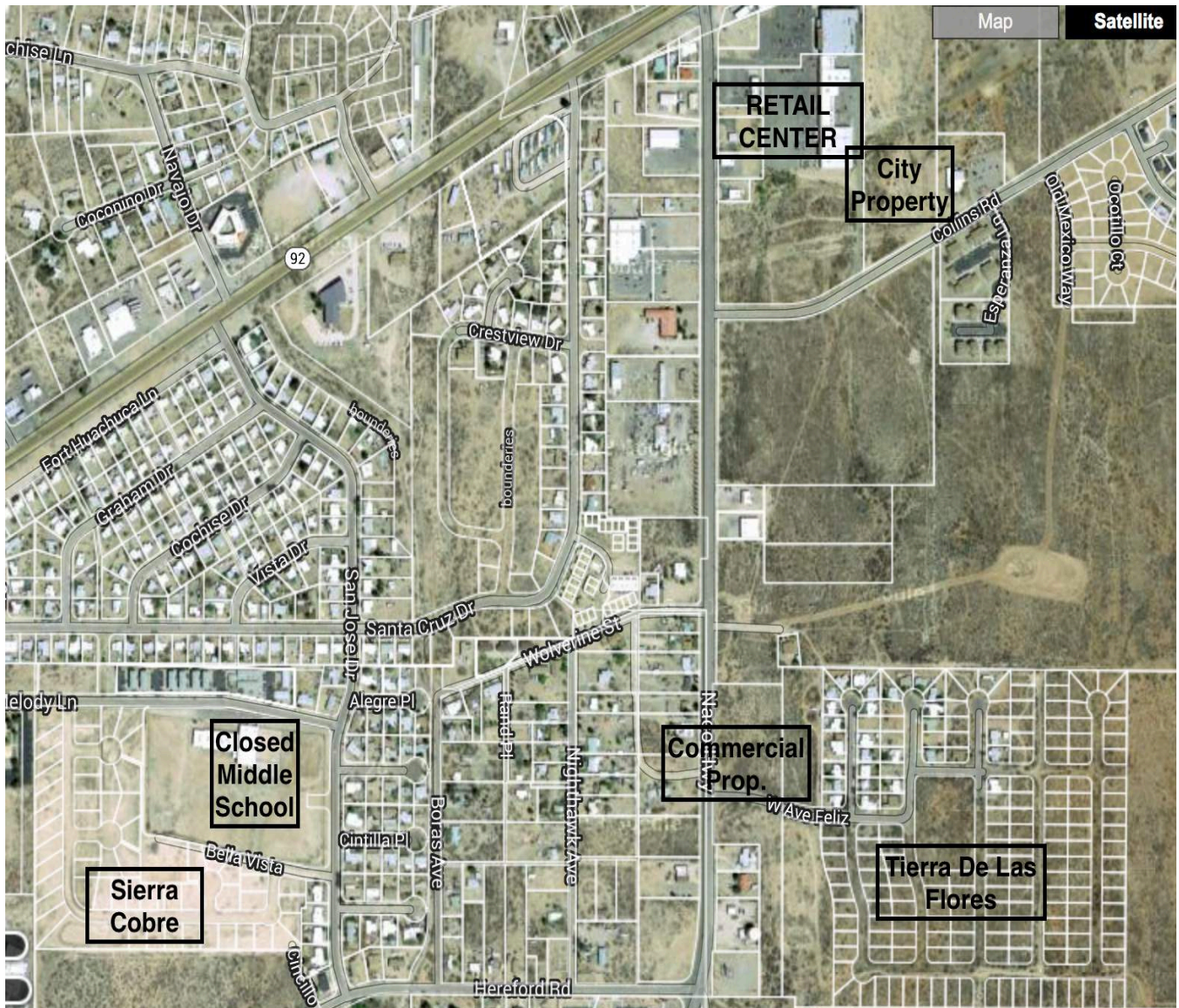
**Nursing homes**, provide a place of residence for people who require, as determined by a local hospital social worker and their nursing facility provider, continual nursing care and have significant difficulty coping with the required activities of daily living. Nursing aides and skilled nurses are usually available 24 hours a day, and most are large congregate care facilities with government funding.

There are a number of different properties in the PMA that could potentially be developed into these concepts. Below you will find a list of the properties, with detailed information on each in the pages following. Please keep in mind they are presented in no particular order, and a developer/operator will determine their own preferences based on their concepts and/or experiences in the market.

- SIERRA COBRE SUBDIVISION – 56 PLATTED LOTS, ON  $\pm 19$  ACRES  
LIST PRICE - **\$498,000.00**
- CLOSED MIDDLE SCHOOL – ABUTTING SIERRA COBRE, 19,000' BUILT ON  $\pm 9$  ACRES,  
PRICE –\*\*\*AN APPRAISAL WAS COMPLETED IN 2012 ESTIMATING THE VALUE TO BE  
 $\pm \$1,000,000.00$ \*\*\*
- TIERRA DE LAS FLORES SUBDIVISION – 135 PLATTED LOTS + PARK MODEL LOTS, ON  
 $\pm 20$  ACRES, LIST PRICE - **\$225,000**
- COMMERCIAL ZONE ABUTTING TIERRA DE LAS FLORES -  $\pm 12$  ACRES, UTILITIES ON SITE,  
LIST PRICE - **\$238,500**



Concept #2 Maps



Above you will find an overview map with the general location of Concept #2 properties (as well as Concept #1's location).



## Concept #2 Maps Continued



Above you see a map depicting both the Sierra Cobre Subdivision, as well as the Closed Middle School. Both have easy access from Highway 92 via Melody Ln. and Sand Jose Dr., and are close to the major shopping center and Senior Center shown in Concept #1.

## Concept #2 Maps Continued



Above you see a map depicting both the Tierra De Las Flores Subdivision, as well as the abutting Commercial Properties. Both have excellent access to Highway 92 from Naco Highway, and Avenue Feliz. The Subdivision will require a new Public Report to begin development, but preliminary work has been done to that effect, and is available to the purchaser. The commercially zoned property has a 6" water main onsite, and is zoned SR-8.

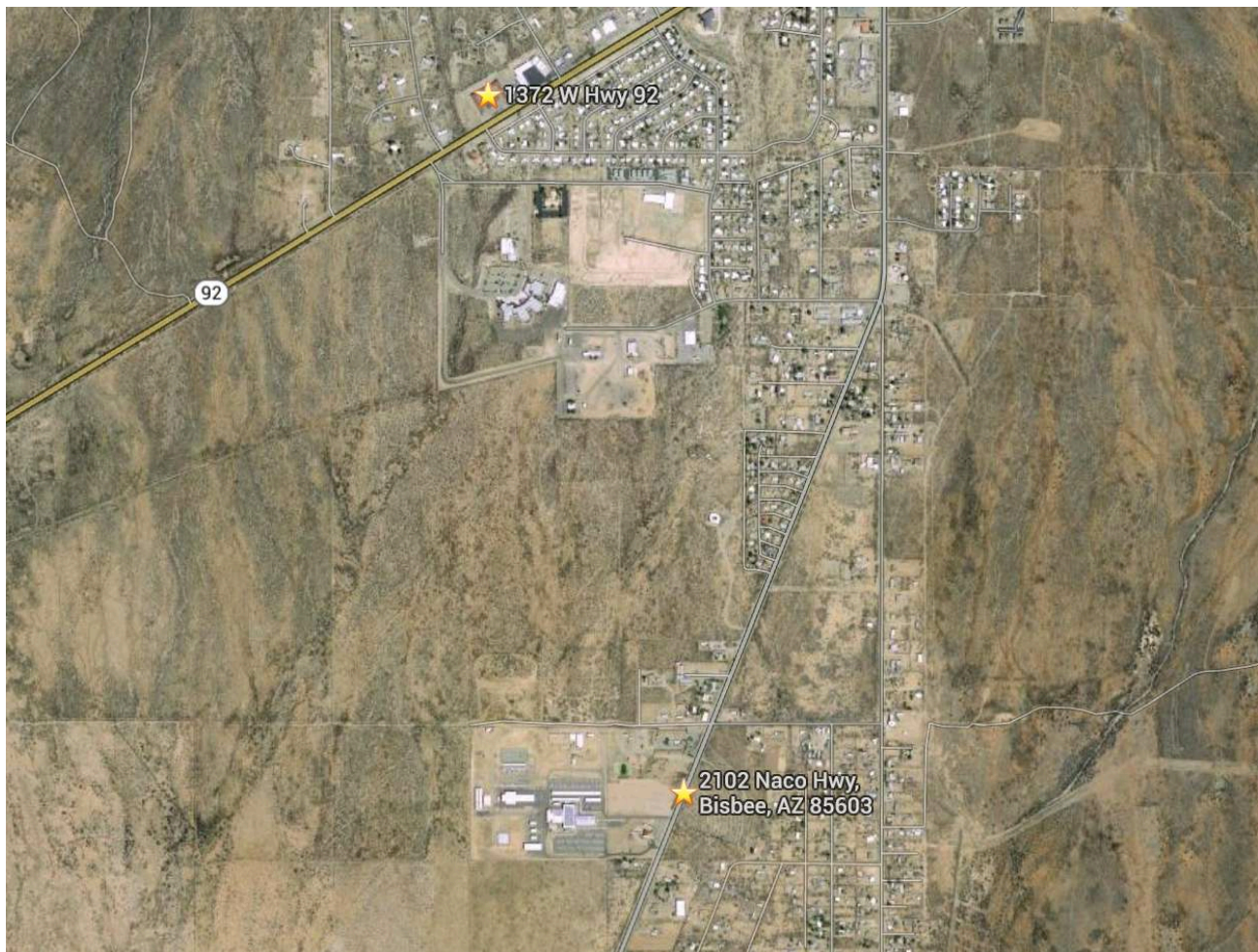


**Concept #3 – Converting existing buildings with other uses**

**Commercial Property Conversions** – As mentioned previously in the study there are several potential commercial properties that could be converted to a senior care facility. Each property would come with its own set of needed updates, upgrades, and costs associated with such. Further to that, any individual operator's business model will have a unique set of criteria that dictate the aforementioned retrofits and costs, and therefore BPD makes no representation to the viability of any property listed. Furthermore, the properties here identified are in no way an all-encompassing list, rather a snapshot of available properties at the time the search was conducted. Any private developer will need to establish the current availability of any property listed in this report, the terms under which it may be acquired, and other properties that may now be available.

- 1372 W. Highway 92 – Hotel/Motel – 53 units on 1.56 acres. Asking \$1,500,000.00
- 2102 S. Naco Highway – Hotel Motel – 76 units on 8.73 acres. Asking \$1,500,000.00
- 1001 Tombstone Canyon – Condo/Apartment – 11 units on 0.88 acres. Asking \$650,000.00  
This Property does not appear on the map due to its location. The property is located on “Old Bisbee” off of the main thoroughfare, Tombstone Canyon.

**Residential Housing Alternative** – Another potential model that is being used in rural communities is small facilities that are either built as, or converted residential homes. These homes have been built and operated throughout the country in different scales, settings, and sizes. There are a number of existing homes that may be converted to this use type, and The City has expressed a willingness to help facilitate this.



## Financial Analysis

### PAYING FOR CARE

How do seniors pay for their care? Examining the private and public methods of payment.

**Private Pay** - Paying for assisted living entirely 'Out-of-pocket' is often referred to as *private-pay*. This means the resident uses personal finances or assets to pay for all care and services. Residents who pay for care with insurance are also considered *private pay*.

**Long Term Care Insurance** - Long-term-care insurance is designed to offset the costs and expense of long-term-care generally not covered by health insurance, Medicare, or Medicaid. People who already have disabilities or illnesses do not qualify for long-term care insurance, similar to a 'pre-existing condition. Long-term care insurance generally covers home care, assisted living, adult daycare, respite care, hospice care, nursing home and Alzheimer's facilities.

**Medicare** - Medicare is rather complex. It is a 'federal system of health insurance for people over 65 years of age' and can, at times, help to cover certain younger people with disabilities. Medicare Part A is hospital insurance that helps cover inpatient care in hospitals, skilled nursing facility, hospice, and home health care. Individual may qualify for premium-free Part A, or may qualify to purchase Part A under certain conditions.

Medicare Part A:

Part A will cover a portion of the costs of inpatient hospital care for up to 100 days. After 100 days, the patient pays for care. Medicare will not cover: anything that is not medically necessary (which may include many of the services and amenities offered at assisted living facilities); private rooms (unless it is for quarantine purposes, or is considered a medical necessity); custodial care; and other extras such as internet access, television, telephones, and any other non-medically necessary extras. Medicare Part A, generally covers the following:

- Inpatient care in hospitals (such as critical access hospitals, inpatient rehabilitation facilities, and long-term care hospitals)
- Inpatient care in a skilled nursing facility (not custodial or long term care)
- Hospice care services
- Home health care services
- Inpatient care in a Religious Non medical Health Care Institution

**Medicaid** - Medicaid is designed to provide health insurance to those individuals who require financial assistance, and is paid for by federal and state funds. Medicaid is available only to certain low-income individuals and families who fit into an eligibility group that is recognized by federal and state law.

Medicaid and Long-Term Care pay for 'basic' nursing home care with no unnecessary amenities, or extras. Medicaid reimbursement rates are usually set by the state, and not by the assisted living facility or nursing home. These rates are often set at a lower rate than what would be paid by other insurance sources, which means that many assisted living facilities will not accept Medicaid patients. Eligibility for Medicaid is established by the state, based on an individual having minimal income and few other financial resources and assets.

**Medigap Insurance** - Medigap insurance is also referred to as "Medicare Supplement" - which refers to privately funded health care coverage and plans that Medicare beneficiaries can purchase to provide coverage for medical expenses not or only partially covered by Medicare. There are a number of standard Medigap plans that ranged from basic coverage to more comprehensive coverage and service.

**OVERALL AFFORDABILITY**

Median monthly rent for assisted living facilities in Arizona is \$3,150.00, according to the 2014 Genworth Cost of Care Survey. Arizona ranked 14<sup>th</sup> lowest among the 50 states and the District of Columbia in the median annual cost of assisted living facilities (38<sup>th</sup> highest). Arizona had an affordability index of 0.83, or in other words it costs people in Arizona 83% of the National Average. Below you will find the details of cost by service type;

# Arizona

		MINIMUM	RATE RANGE		MEDIAN ANNUAL RATE <sup>1</sup>	FIVE-YEAR ANNUAL GROWTH <sup>2</sup>
			MEDIAN	MAXIMUM		
HOME	Homemaker Services	\$14	\$19	\$28	\$43,472	0%
	Hourly Rates					
COMMUNITY	Home Health Aide Services	\$14	\$20	\$28	\$44,616	0%
	Hourly Rates					
FACILITY	Adult Day Health Care	\$62	\$78	\$140	\$20,345	1%
	Daily Rates					
	Assisted Living Facility (One Bedroom - Single Occupancy)	\$1,100	\$3,150	\$6,700	\$37,800	3%
	Monthly Rates					
	Nursing Home (Semi-Private Room)	\$145	\$197	\$295	\$71,996	3%
	Daily Rates					
	Nursing Home (Private Room)	\$167	\$233	\$350	\$84,957	1%
	Daily Rates					

## FINANCING THE FACILITY DEVELOPMENT

### Ownership Structure

Ownership of the proposed facility has been discussed at several of the meeting facilitated by BPD. The response was consistent; neither the City of Bisbee nor the Copper Queen Community Hospital expressed an interest in owning or operating a senior care facility. Rather, the preference is for the facility to be privately owned and operated.

This expressed ownership/operating preference should not be interpreted as a lack of interest or support for the project; rather, it is based on a desire to maximize resources and efficiency of operation. CQCH and City of Bisbee have expressed interest in facilitating a successful project outcome. To facilitate the project, both entities have expressed willingness to work with a private developer either through a public-private partnership or through planning, zoning and infrastructure considerations, as well as additional support CQCH may be able to lend on a medical or staffing basis.

Throughout the state, the continuum of care range of senior living options include nonprofit-owned, publicly owned, public-private ownership, and privately owned facilities. Of the various facilities serving Arizona's elderly, many have come to fruition with limited public participation. For purposes of this Study the funding options identified are those applicable to private ownership or a public-private partnership. The following financing options do not include facilities operating funds. Use of funds considered in this Chapter can be applied to the following costs:

- Design and Development Costs
- Permits, Licenses & Fees
- Land, Infrastructure & Site Work
- Building, Furniture & Equipment
- Contingencies, start-up & Reserves
- Short-term Loan, Fees and Interest

### Funding Scenarios

The following funding scenarios are not intended to identify all sources of funds for development and construction of a facility. For-profit and non-profit private developers, experienced in the development of senior living facilities, may have familiar sources of funding, a cadre investors, a preferred source of conventional financing, private funds, or other sources of project financing. The following sources of funds are offered here as guidance for readers of the Study, acknowledging that selected funding opportunities are available depending on the structure of the development entity.

**Local Banks** - Many of the federal programs require the sponsor/owner to make a genuine effort to involve their local banking institutions to be involved in the financing of a project prior to seeking program funding from HUD or USDA. Many projects do include local conventional lending in their project funding mix. Banks will partner with other lenders in some cases.

Banks may have a requirement to participate in local community based projects as a part of their regulatory agreements. They do so through their Community Investment Program (CIP). CIP loans can subsidize interest rates on loans through member banks for affordable rental housing for families with incomes of no more than 115 percent of area median income levels.



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**Funding Scenarios Continued**

**Private 501(c)(3) Tax Exempt Financing**, for private non-profit entities where bonds are sold to raise capital for a specific project. The local municipality or county must endorse the project and obtain an allocation from the State of Arizona volume cap private activity bond allocation through the Governor's office. The funding sources are created by tax-exempt Private Activity Revenue Bonds issued by the municipality or county in support of the project and based on the non-profit organization 501(c)3 status.

These funds would provide long-term debt service as part of the project operating expense. This type of funding is managed by private bond underwriters and qualified investment banking firms, and only available to established operators or management companies.

**U.S. Department of Agriculture – Rural Development, Community Facilities Loan Program**, provides low interest loans to non-profit entities for land, buildings, equipment, and infrastructure for projects that meet a community need in small communities of less than 20,000 people. Current terms of the loan sub 3.00% interest for 30-year amortization terms, the loan will finance 100% of the project. Interim project funding for land, development and construction must be separately identified and are reimbursed upon loan funding. The project must demonstrate financial and organizational viability as part of the application process.

USDA-RD also offers loan guarantee programs to for-profit and non-profit projects that address elder care and health care facilities that meet a community need in population centers with fewer than 20,000. USDA-RD works with conventional lenders to initiate this loan guarantee program.

The application process for each of the USDA-RD loan and/or loan guarantee programs is comprehensive, and the terms often require specific amenities be incorporated into the project to qualify.

**U. S. Small Business Administration (SBA) 504 Loan Program**, provides long-term, low interest, fixed-rate financing to private small businesses for construction, purchase or renovation of facilities; or to acquire machinery and equipment. SBA 504 loans for existing businesses typically finance 90% of a project: 50% by a participating commercial lender, 40% by the SBA, and 10% by the business-borrower. Rates are competitive.

While these are examples of possible funding opportunities available, there may be other options or a combination of funding options depending on the structure of the project - private ownership, public private partnership, etc.



## Observations and Recommendations

The following recommendations, observations and comments are offered here as a guide for the Copper Queen Community Hospital, the City of Bisbee, and stakeholders concerned for the aging population in their community to address the needs of the PMA's elderly population now and into the future.

To address the populations range of senior living needs, BPD believes focus should be on three areas of need along the spectrum of options: senior independent living, assisted living, and memory care (both day care and long term care), not currently available in the PMA, or more specifically Bisbee. These senior living options are particularly critical as they represent viable alternatives to remaining in a family-home that may no longer provide the safest, most healthy environment. Based on input from the stakeholder interviews and an assessment of the market, results from this Study support the feasibility of a Senior Care Facility along those lines.

Further to that, BPD has evaluated the potential profitability of a facility in the PMA, and found that a smaller scale facility should be very profitable relative to the investment required. Unfortunately do to the large number of assumptions that go into that model (such as facility type, size, services provided, etc.), it will be important for a developer/operator to take into account their specific operating models assumptions and profit projections. BPD's model was excluded from this study so as to not discourage an existing operator/developer whose operating model is different. With that said, BPD believes strongly that a Senior Care Facility located in the PMA is very feasible.

BPD has developed the following recommendations as next-steps to move the project forward:

- 1. Stage a press conference acknowledging the iBisbee Committee's work and announcing the completion of this Study.
- 2. Based on the information in this Study, secure an agreement with the City and County regarding the conditions and criteria relative to a cooperative public offering of the City and School Board controlled properties identified in this Study.
- 3. The Feasibility Study should be available on the City, County and CQCH web sites for public access.
- 4. The City, CQCH, and other private peoples should help to market the PMA to potential developers and operator's.
- 5. The City, CQCH, or other interested parties should make use of a professional marketing company to aid in larger promotion.
- 6. BPD has developed a list of private developers and operators, which it will share with The City and CQCH. BPD will help in presenting the PMA and this feasibility study, to developers and operators so identified.

Again, BPD believes strongly in the feasibility of Senior Care Facility in this PMA, and will work with the community leadership to bring the project to realization.

## About This Report

This report was prepared by BP Diversified, Investment and Consulting.

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It is important to note that the views expressed in this report are that of BPD, and not necessarily the same as the City of Bisbee, or the Copper Queen Community Hospital. All efforts have been made to ensure accuracy and use of the most current data, but no guarantees are made. The US Census Bureau does not provide a standard deviation or margin of error figure, opting instead for a Measure and Calculation of Standard Errors. This is a very complex formula, and as such has been omitted from these results. For further information you may visit;

<http://www.census.gov/2010census/about/cqr.php>  
[http://www.census.gov/acs/www/data\\_documentation/documentation\\_main/](http://www.census.gov/acs/www/data_documentation/documentation_main/)  
<http://www.esri.com/accuracy>